

DIVISION OF ADMINISTRATION

PCF Oversight Board
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State of Louisiana
PATIENTS' COMPENSATION FUND

BOBBY JINDAL
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September 25, 2009

Honorable Willie L. Mount, Chairman, Senate Committee on Health and Welfare
Honorable Kay Katz, Chairman, House Committee on Health and Welfare
Honorable Troy Hebert, Chairman, Senate Committee on Insurance
Honorable Charles Kleckley, Chairman, House Committee on Insurance

RE: Senate Concurrent Resolution No. 111
Regular Session, 2007

Dear Honorable Chairmen:

In accordance with SCR 111, the Louisiana Patient's Compensation Fund Oversight Board submits the attached annual report on the status of the Patient's Compensation Fund. This report includes a history of the Fund, a memorandum on the economic viability of the Fund, and several graphs and charts showing collections, payments, the agency's growth and the funding levels.

The purpose of this report is to offer information which will help answer questions legislators may have concerning the Fund by providing details of the functions and financial status of the Fund. It was and is anticipated that there will be legislation forthcoming relative to the operation of the agency and it is important that information be available to legislators.

As a quick overview of the Fund I offer the following:

The **mission** of the Patient's Compensation Fund Oversight Board is to administer, manage, operate and defend the Fund in a manner that will timely and efficiently meet the needs and interests of those Louisiana citizens for whom the Fund was created to serve - Louisiana healthcare providers, parties injured as a result of medical malpractice and the citizens of the State of Louisiana.

The **purpose** of the Oversight Board is to guarantee that affordable, medical malpractice coverage is available to all private healthcare providers

and to provide a certain, stable source of compensation for those injured as a result of medical malpractice.

The **goal** of the Oversight Board is to ensure the longevity of the Fund by maintaining its financial stability. By establishing and maintaining surcharge rates that are held to moderate levels, the Fund strives to effectively maintain sufficient solvency to promptly resolve and fairly compensate parties injured as a result of medical malpractice and to zealously resist and defend unmeritorious and/or exaggerated claims.

Since its inception in August 1990, the Oversight Board has seen to it that the Fund continues to meet all its obligations. The Oversight Board has implemented rate increases nine of the last ten years. For the past six years, actuarial studies included a five percent deficit reduction load specifically aimed at reducing the unfunded accrued liability. While there was actually an indication for a rate decrease for 2009, due to the unfunded liability, the Oversight Board increased rates charged to all health care providers by 5%. This decision resulted in approximately 19% of the surcharges collected reducing the UAL by about \$30,000,000. This year, the annual actuarial study again showed continued improvement and an indication for an overall rate reduction of 11%. The Oversight Board chose to address the UAL and did not recommend a rate reduction. As a result, at least 15% of the surcharges collected in 2010 will go towards reducing the UAL. The Oversight Board has steadily increased its cash reserves with the intent of reducing the unfunded liability.

Overall, the Oversight Board has made great progress in not only reducing the UAL, but establishing better working relationships with both the defense and plaintiff attorneys. This has enabled the Fund claims department to resolve more claims in both a more reasonable timeframe and for fair and reasonable amounts.

The Fund is not considered a party to initial litigation proceedings, but has strongly encouraged the parties involved to include the Fund in settlement discussions. As a result, interaction and cooperation has greatly improved and claims are being resolved more expeditiously. This benefits both the Fund in lowering the amount of interest and defense costs that result in extended litigation and allows the injured party to be compensated sooner. Savings by the Fund results in savings to the health care providers.

The Fund's claims budget was \$115,000,000.00 for the fiscal year 2008-09 and is \$120,000,000.00 for the current fiscal year. In fiscal years 2006-07 and 2007-08 the Fund expended \$120,000,000 in the payment of claims and related expenses. An increase in the number of claims staff several years ago resulted in reducing the pending claims from 12,000 in 2003 to less than 5,800 in 2009. Claims are being handled more effectively and efficiently,

to the benefit of both the injured parties and the health care providers. The administrative budget for the current fiscal year is \$3,981,919. The T.O. for the agency includes two unclassified positions and 42 permanent positions. The Fund also has two student workers who assist with the mail and copying.

I hope you find this report informative and beneficial. I have provided a copy of the report for each member of the committee. The Fund's website, lapcf.louisiana.gov, contains more information, including minutes from board meetings, financial information and rate information. Should there be any other information you feel would be helpful, please contact me.

Sincerely,

Lorraine LeBlanc
Executive Director

- c: Members of Senate Committee on Health and Welfare
- Members of House Committee on Health and Welfare
- Members of Senate Committee on Insurance
- Members of House Committee on Insurance
- Members of Senate Committee on Judiciary A
- Members of House Committee on Civil Law and Procedure